

STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:

BADGER OIL CORPORATION

AI # 33184

**PROCEEDINGS UNDER THE LOUISIANA
ENVIRONMENTAL QUALITY ACT
LA. R.S. 30:2001, ET SEQ.**

* **Settlement Tracking No.**
* **SA-AE-07-0020**
*
* **Enforcement Tracking No.**
* **AE-CN-06-0008**
*
*
*
*

SETTLEMENT

The following Settlement is hereby agreed to between Badger Oil Corporation ("Respondent") and the Department of Environmental Quality ("DEQ" or "the Department"), under authority granted by the Louisiana Environmental Quality Act, La. R.S. 30:2001, et seq. ("the Act").

I

Respondent is a corporation who owned and/or operated a crude oil and natural gas production facility in Caillou Bay, approximately twenty-two and one-half miles southwest of Theriot in Terrebonne Parish, Louisiana ("the Facility").

II

On February 13, 2006, the Department issued a Consolidated Compliance Order and Notice of Potential Penalty, Enforcement No. AE-CN-06-0008, to Respondent, which was based upon the following findings of fact:

The Respondent owned and/or operated the Pass Wilson Commingling Facility, a crude oil and natural gas production facility in Caillou Bay, approximately twenty-two and one-half

miles southwest of Theriot in Terrebonne Parish, Louisiana. The facility operated under Air Permit No. 2880-00198-00 which was issued on September 10, 1997, and was modified to become Air Permit No. 2880-001980-01 issued on March 16, 2000. Ownership of the facility was transferred from the Respondent to Amerada Hess Corporation on April 1, 2001.

On August 15, 2005, an Administrative Order (AO), Enforcement Tracking No. AE-AO-04-0036, was issued to the Respondent ordering the Respondent to submit to the Enforcement Division, a detailed report providing a description of any modification made to the facility by the Respondent along with the date of such modification, the annual crude oil and natural gas production rates, and annual VOC emissions during the time period in which the Respondent maintained ownership of the facility.

The Department received a letter dated November 11, 2005, from the Respondent, providing the information required in the AO. On January 9, 2006, a file review of this information was performed to determine the degree of compliance with the Act and Air Quality Regulations.

The following violations were noted during the course of the file review:

- A. According to the Respondent's report dated November 11, 2005, a new gas compressor and a larger glycol contact tower were installed in October 1999 in order to accommodate increased gas and oil throughputs. Each failure to obtain approval from the permitting authority prior to the modification of a facility which ultimately may result in an initiation or increase in emission of air contaminants is a violation of LAC 33:III.501.C.2 and Sections 2057(A)(1) and 2057 (A)(2) of the Act.
- B. According to the Respondent's report dated November 11, 2005, permitted VOC emissions were exceeded during the 2000 calendar year. The Respondent reported 127 tons of VOC emissions during calendar year 2000, in exceedance of the permit limit of 77.42 tpy. This is a violation of General Condition III of Air Permit Number 2880-00198-01, LAC 33:III.501.C.4, and Sections 2057 (A)(1) and 2057(A)(2) of the Act.

- C. According to the Respondent's letter dated November 11, 2005, actual VOC emissions for the facility totaled 127 tons for the 2000 calendar year. Based on the reported emissions, the Respondent met the criteria for major source status as defined in LAC 33:III.502 and become subject to the Part 70 Operating Permits Program outlined in LAC 33:III.507. Once subject to the requirements of Section 507, the Respondent was to submit an application to the Office of Environmental Services, Permits Division. The Department has no record of receipt of the Respondent's application that was to be submitted in accordance with Section 507. The Respondent's failure to submit a permit application under Section 507 is a violation of LAC 33:III.507.C.3 and Sections 2057 (A)(1) and 2057 (A)(2) of the Act.
- D. The Respondent reported actual VOC emissions in excess of 100 tpy for the 2000 calendar year. Therefore, the Respondent became subject to the requirements of LAC 33:III.919 and was required to submit an Annual Emissions Statement (AES) to the Department no later than March 31 for the previous calendar year. The Department has no record of receipt of the AES for the 2000 or 2001 calendar years, during which the facility was owned and/or operated by the Respondent. Each failure to submit the AES to the Department by the required date is a violation of LAC 33:III.919.D and Section 2057(A)(2) of the Act.

III

Respondent denies it committed any violations or that it is liable for any fines, forfeitures and/or penalties.

IV

Nonetheless, Respondent, without making any admission of liability under state or federal statute or regulation, agrees to pay, and the Department agrees to accept, a payment in the amount of SEVEN THOUSAND TWO HUNDRED AND NO/100 DOLLARS (\$7,200.00) of which Seven Hundred Forty-Two and 08/100 Dollars (\$742.08) represents DEQ's enforcement costs, in settlement of the claims set forth in this agreement. The total amount of money expended by Respondent on cash payments to DEQ as described above, shall be considered a civil penalty for tax purposes, as required by La. R.S. 30:2050.7(E)(1).

V

Respondent further agrees that the Department may consider the inspection report(s), the Consolidated Compliance Order and Notice of Potential Penalty, and this Settlement for the purpose of determining compliance history in connection with any future enforcement or permitting action by the Department against Respondent, and in any such action Respondent shall be estopped from objecting to the above-referenced documents being considered as proving the violations alleged herein for the sole purpose of determining Respondent's compliance history.

VI

This agreement shall be considered a final order of the secretary for all purposes, including, but not limited to, enforcement under La. R.S. 30:2025(G)(2), and Respondent hereby waives any right to administrative or judicial review of the terms of this agreement, except such review as may be required for interpretation of this agreement in any action by the Department to enforce this agreement.

VII

This settlement is being made in the interest of settling the state's claims and avoiding for both parties the expense and effort involved in litigation or an adjudicatory hearing. In agreeing to the compromise and settlement, the Department considered the factors for issuing civil penalties set forth in LSA- R. S. 30:2025(E) of the Act.

VIII

The Respondent has caused a public notice advertisement to be placed in the official journal of the parish governing authority in Terrebonne Parish, Louisiana. The advertisement, in form, wording, and size approved by the Department, announced the availability of this settlement

for public view and comment and the opportunity for a public hearing. Respondent has submitted a proof-of-publication affidavit to the Department and, as of the date this Settlement is executed on behalf of the Department, more than forty-five (45) days have elapsed since publication of the notice.

IX

Payment is to be made within ten (10) days from notice of the Secretary's signature. If payment is not received within that time, this Agreement is voidable at the option of the Department. Payments are to be made by check, payable to the Department of Environmental Quality, and mailed or delivered to the attention of Accountant Administrator, Financial Services Division, Department of Environmental Quality Post Office Box 4303, Baton Rouge, Louisiana, 70821-4303. Each payment shall be accompanied by a completed Settlement Payment Form (Exhibit A).

X

In consideration of the above, any claims for penalties are hereby compromised and settled in accordance with the terms of this Settlement.

XI

Each undersigned representative of the parties certifies that he or she is fully authorized to execute this Settlement Agreement on behalf of his/her respective party, and to legally bind such party to its terms and conditions.

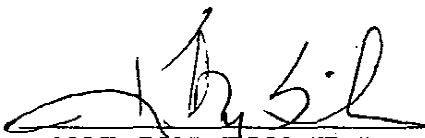
BADGER OIL CORPORATION

BY: 
(Signature)

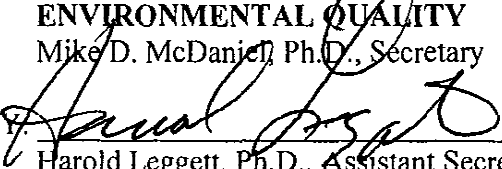
ARTHUR I PRICE
(Print)

TITLE: VICE PRESIDENT, FINANCE

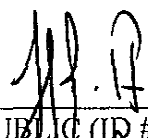
THUS DONE AND SIGNED in duplicate original before me this 15th day of
AUGUST, 2007, at LAFAYETTE, LA.

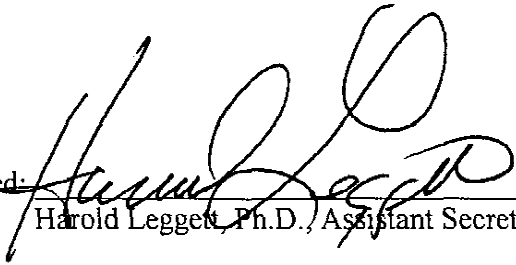

NOTARY PUBLIC (ID # 381110)
John Smith
(Print)

**LOUISIANA DEPARTMENT OF
ENVIRONMENTAL QUALITY**
Mike D. McDaniel, Ph.D., Secretary

BY: 
Harold Leggett, Ph.D., Assistant Secretary
Office of Environmental Compliance

THUS DONE AND SIGNED in duplicate original before me this 9th day of
October, 2007, at Baton Rouge, Louisiana.


NOTARY PUBLIC (ID # 20456)
John R. Bryler, Jr.
(Print)

Approved: 
Harold Leggett, Ph.D., Assistant Secretary